

Message Text

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DRAFTED BY OPIC/GC:CHUNT

APPROVED BY EB/IFD/OIA:RJSMITH

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FM SECSTATE WASHDC

TO AMEMBASSY GEORGETOWN

INFO AMEMBASSY OTTAWA KINGSTON MONTREAL

C O N F I D E N T I A L STATE 185139

E.O.11652:GDS

TAGS: EINV OPIC GY

SUBJ: REYNOLDS ALUMINUM - GUYANA

1. HUNT OF OPIC MET IN OTTAWA AUG. 19 WITH EMBASSY, EXTERNALL AFFAIRS (EXTAFF) AND EXPORT DEVELOPMENT CORPORATION (EDC) AND IN MONTREAL AUGUST 20 WITH ROYAL BANK OF CANADA AND ALCAN CONCERNING THREATENED NATIONALIZATIONREYNOLDS OPERATIONS IN GUYANA. EACH MEETING INVOLVED GETTING WHAT BACKGROUND INFORMATION COULD BE PROVIDED CONCERNG ALCAN'S 1971 COMPENSATION SETTLEMENT AS WELL AS THE EXPERIENCES WITH GUYBAU AND EXPECTATIONS CONCERNING CUYANA'S BAUXITE AND ALUMINA MARKETING. IN EXTAFF AND ALCAN MEETINGS HUNT NOTED OPIC CONCERN THAT CHANCES FOR NEGOTIATION OF ACCEPTABLE SETTLEMENT IN REYNOLDS CASE COULD BE HAMPERED BY APPARENT GOG BELIEF THAT GOC WOULD REGARD BETTER TERMS FOR REYNOLDS AS IMPROPER DISCRIMINATION.

2. DIFFERENCES CITED BY HUNT IN FAVOR OF BETTER TERMS FOR
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REYNOLDS INCLUDED MUCH SMALLER SCALE OF THIS ACQUISITION,

INTEREST RATE INCREASES SINCE 1971 AND ENHANCED ABILITY TO PAY (REVENUE EXPECTATIONS AND EXPERIENCE GAINED WITH GUYBAU. STRESSED THAT ALCAN AND CANADA HAVE INTEREST IN AVOIDING REPETITION OF A COMPENSATION PATTERN WHICH THEY WOULD NOT WANT TO SEE FOLLOWED IN JAMAICA OR ELSEWHERE.

3. EXTAFF REACTION (DIVISION DIRECTOR LEVEL) WAS SYMPATHETIC BUT CAUTIOUS AND NON-COMMITTAL. THEY REFERRED CANDIDLY TO RISK OF ADVERSE ALCAN REACTION AND OTHER DOMESTIC CRITICISM IF REYNOLDS GETS MORE FAVORABLE TREATMENT AND IMPLIED THIS MADE IT EXTREMELY UNLIKELY GOC WOULD GIVE INSTRUCTIONS TO ITS HIGH COMMISSIONER IN GEORGETOWN DESIGNED TO DISABUSE GOC OF NOTION THAT NON-DISCRIMINATION REQUIRES FULL PARITY IN COMPENSATION TERMS.

4. INITIAL REACTION OF ALCAN OFFICIALS WAS TO EFFECT THAT THEY HOPE REYNOLDS CAN DO BETTER THAN ALCAN DID BUT THEY DO NOT BELIEVE THERE IS ANYTHING ALCAN OR GOC CAN OR SHOULD DO TO BRING THIS ABOUT. ALCAN PRESIDENT PAUL LEMAN LATER JOINED DISCUSSION. HE SHOWED GREATER APPRECIATION OF ADVANTAGES OF HAVING REYNOLDS CASE PROVIDE A TIMELY EXAMPLE OF BUSINESS-LIKE COMPENSATION ARRANGEMENTS (WHILE EXPRESSING STRONG RESERVATIONS THAT THIS IS ACHIEVABLE IN THE PRESENT GUYANA CONTEXT.) ALTHOUGH HE DID NOT RULE OUT POSSIBILITY THAT ALCAN MIGHT PROTEST A SETTLEMENT IT REGARDED AS DISCRIMINATORY, HE DID NOTE THAT A SETTLEMENT COULD BE STRUCTURED TO REDUCE AREAS OF DIRECT COMPARISON. MOREOVER, HE REACTED POSITIVELY TO SUGGESTION THAT HIGH COMMISSIONER IN GUYANA COULD AT LEAST BE INSTRUCTED NOT TO REVIVE PRIORITY ISSUE WITH GOC ON OWN INITIATIVE AT THIS JUNCTURE. HUNT SAID HE THOUGHT IT WOULD BE HELPFUL IF ALCAN WOULD RELAY ALCAN VIEWS EXPRESSED IN THE MEETING TO EXTAFF AT APPROPRIATE LEVEL. LEMAN SAID THEY WOULD CONTACT RITCHIE. KISSINGER

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